

## Message Text

PAGE 01 NATO 05301 272224Z

16

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-11 L-03 ACDA-19

NSAE-00 PA-04 RSC-01 PRS-01 SP-03 USIA-15 TRSE-00

SAJ-01 SS-20 NSC-07 EB-11 COME-00 DRC-01 /130 W

----- 047986

R 271925Z SEP 74

FM USMISSION NATO

TO SECSTATE WASHDC 7842

SECDEF WASHDC

INFO USCINCEUR

AMEMBASSY PARIS

AMEMBASSY BONN

USNMR SHAPE

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

C O N F I D E N T I A L USNATO 5301

E.O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJECT: CENTRAL EUROPE PIPELINE SYSTEM (CEPS) COST SHARING;

EIGHT NATION PERMREP MEETING, 27 SEP 74

REF: A. USNATO 5232

B. USNATO 5196

BEGIN SUMMARY. CHAIRMAN DE STAERCKE (BELGIUM) DEPT PRESSURE ON BOTH FRANCE AND FRG TO RESOLVE IMPASSE. FRG INDICATED AGREEMENT TO 22 PERCENT SHARE WITH POSSIBILITY OF GOING TO WHATEVER HIGHER FIGURE FRANCE WOULD AGREE TO. FRANCE WAS NON-COMMITTAL BUT CAME UNDER HEAVY ATTACK ON ADVENTITIOUS BENEFITS WHICH FRANCE ALONE REAPS FROM SYSTEM. FRANCE AND FRG TO SEEK NEW INSTRUCTIONS FOR NEXT MEETING ON 14 OCT. END SUMMARY.

CONFIDENTIAL

PAGE 02 NATO 05301 272224Z

1. CHAIRMAN (DE STAERCKE) LED OFF MEETING OF EIGHT PERMREPS SAYING THAT DIFFICULTIES ARISING FROM FINANCING AN THE ANNUAL CEPS OPERATING DEFICIT ARE THREATENING THE MILITARY OPERATION OF THE SYSTEM AND THAT THE SYSTEM IS ON THE VERGE

OF DISINTEGRATION. AFTER MENTION THAT THE CURRENT FORMULA GOES BACK TO 1964, HE ALLUDED TO HOST COUNTRY PADDING OF PERSONNEL REQUIRMENTS BEYOND REASONABLE NORMS AND TO CATEGORIES OF EXPENDITURES WHICH ARE NOT UNIFORM THROUGHOUT THE SYSTEM, AND SAID THAT THEREIS A DISTINCT FINANCIAL ADVANTAGE TO HOST CONTRIES. CHAIR SAID THAT THIS WAS NOT SOLELY A US INITIATIVE BUT RATHER A US, CANDAIAN, UK, NETHERLANDS AND BELGIAN REQUEST FOR REVISION IN THE COST SHARING FORMULA WHERE ALL THESE COUNTRIES WERE ASKING FRANCE AND FRG TO BE FORTHCOMING. HE INDICATED THAT THE TOTAL AMOUNT OF THE ANNUAL DEFICIT WHICH HE PLAED AT 45 MILLION FF (10 MILLION DOLLARS, APPROXIMATELY), WAS NOT SO GREAT AS TO WARRANT THE HIGH IRRITANT VALUE THE PROBLEM SEEMED TO BE POSING.

2. FRG (KRAPF) INDICATED THAT FRG DID NOT YET KNOW THE FORMULA FOR ALL PARTICIPANTS BUT WAS PREPARED TO GO TO 22 PERCENT AND COULD AGREE TO GIVE RETROACTIVE EFFECT TO A NEW FORMULA AS OF 1 JUL 74.

3. FRANCE (DE ROSE) ACKNOWLEDGED THAT ALL COUNTRIES EXCEPT FRANCE AND FRG SEEMED TO BE IN AGREEMENT. HE STATED THAT IF

EFFECT WERE A DIMINUTION OF THE FRENCH SHARE-AS IS THE CASE FOR THE FIVE OTHERS-THERE WOULD BE NO PROBLEM. FRANCE FAILS TO SEE, HOWEVER, HOW A 50 PERCENT INCREASE IN THE FRENCH SHARE CAN BE JUSTIFIED ON THE BASIS OF CURRENT MILITARY UTILIZATION. HE ADMITTED THAT BOTH FRANCE AND FRG HAVE A MILITARY USE GREATER THAN

THEIR CURRENT SHARE BUT CONSIDER THAT THE NEW FORMULA WOULD REVERSE THE INEQUITY. FURTHERMORE, FRANCE FINDS THE DISPARITY BETWEEN FRENCH USAGE FACTOR OF 18 PERCENT AND FRG USAGE FACTOR OF 23 PERCENT IS NOT TAKEN INTO ACCOUNT IN NEW FORMULA WHICH WOULD PLACE BOTH COUNTRIES AT 24 PERCENT. HE AGREED THAT THE NEW COST SHARING FORMULA SHOULD TAKE INTO ACCOUNT CIVIL ADVANTAGES IN FAVOR OF FRANCE WHICH JUSTIFY AN INCREASE ABOVE THE 18 PERCENT USAGE FACTOR BUT THAT OTHERS WOULD HAVE TO PROVIDE SUCH JUSTIFICATION TO HIME. HE STRESSED THE APPARENT ARBITRARINESS  
CONFIDENTIAL

PAGE 03 NATO 05301 272224Z

OF THE PROPOSED FORMULA WHERE EACH OF THE THREE LARGEST USERS WOULD HAVE THE SAME SHARE, STATING THAT THIS WAS TOO GREAT A COINCIEDNCE TO BE BASED ON OBJECTIVE FACTORS. IN CONCLUSION HE SUGGESTED THAT THE COUNTRIES SHOULD LOOK INTO THE INEQUITIES IN THE OPERATION OF THE SYSTEM SUCH AS PADDING OF PERSONNEL COSTS AND OTHER CATEGORIES OF EXPENDITURES NOT UNIFORM THROUGHOUT THE SYSTEM.

4. THE NETHERLANDS (HARTOGH) STATED THAT FRANCE AND FRG HAVE BENEFITED OVER A PERIOD OF YEARS FROM FAVORABLE COST SHARES COMPARED TO THE MILITARY USAGE FACTOR. HE STRESSED, HOWEVER, THATCASE OF FRANCE AND FRG IS NOT QUITE COMPARABLE IN VIEW OF TAXES LEVIED BY FRANCE ON RREVENUES FROM CIVIL MOVEMENTS

AND IN VIEW OF PAYMENTS BY THE SYSTEM TO TRAPIL, A QUASI-GOVERNMENTAL ENTITY.

5. FINANCIAL ADVISOR OF BELGIAN DELEGATION (DUPONT) INDICATED THAT THE DIFFICULT 1962-64 NEGOTIATIONS SHOWED HOW DIFFICULT IT IS TO ATTEMPT TO ESTABLISH A COST SHARING FORMULA ON ANY PURELY OBJECTIVE BASIS AND HOW ULTIMATELY COUNTRIES MUST REACH AGREEMENT ON POLITICAL BASIS. HE SAID THAT DISCUSSIONS HAVE SHOWN THAT NO STRICT MATHEMATICAL APPROACH CAN OBTAIN UNANIMOUS ACCEPTANCE AND STRESSED THAT CERTAIN COUNTRIES-FRANCE IN PARTICULAR - BENEFIT FROM THE SYSTEM MORE THAN OTHERS. HE SPOKE OF THE LEVEL OF PERSONNEL EXPENDITURES IN THE OPERATING UNITS, OF NATIONAL TAXES ON CIVIL REVENUES, AND OF CHARGES PAID TO TRAPIL (OF WHICH GOVERNMENT OF FRANCE HOLDS HALF OF SHARES). HE CONCLUDED THAT IF FRANCE WISHES TO BACK PROPOSAL, SUCH FIGURES ARE AVAILABLE BUT MAY PERHAPS PROVE EMBARRASSING TO FRANCE.

6. CHAIR SUGGESTED THAT PERMREPS TALK FIGURES AND PROPOSE A NEW FORMULA RATHER THAN CONTINUE A POLEMIC. THE NETHERLANDS SAID THAT FRG IS PREPARED TO GO TO 22 PERCENT BUT THAT ITS POSITION IS DEPENDENT ON OTHERS AND THAT TOO MUCH IS NOT BEING ASKED OF FRANCE.

7. KRAPF SAID THAT FRG WAS PREPARED TO PAY THE SAME CONTRIBUTION AS FRANCE, CONSIDERING ALL THE UNCERTAINTY ESPECIALLY THE "CIVIL" ADVANTAGES AND IS PREPARED TO ACCEPT 22 PERCENT. IF FRANCE CAN GO A LITTLE HIGHER OR APPROACH THE PROPOSED FORMULA, CONFIDENTIAL

PAGE 04 NATO 05301 272224Z

FRG DELEGATION WOULD HAVE A NEW BASIS TO APPROACH BONN.

8. DE ROSE ASKED COUNTRIES TO GIVE THE FIGURES SHOWING BENEFITS TO FRANCE. HE THEN IMPUTED ARGUMENT THAT "IF FRANCE DOESN'T ACCEPT 24 PERCENT NEXT WEEK, SYSTEM WILL COLLAPSE". IF SO, HE SAID, IT IS NOT FRANCE'S FAULT BUT RATHER THAT OF THE US, AS A RESULT OF US SAYING "WE WON'T PAY MORE THAN 24 PERCENT".

9. US (MCAULIFFE) STATED THAT THE SYSTEM WAS NEVER INTENDED TO SHOW A PROFIT; THAT US PROBLEM IS A POLITICAL ONE OF HAVING TO EXPLAIN HOW COSTS OF OPERATING SYSTEM HAVE TREBLED IN EIGHT-YEAR PERIOD WHILE DURING THE SAME PERIOD ALTHOUGH THE CIVIL USE HAS QUADRUPLED, THE DEFICIT HAS QUINTUPLED. HE INDICATED THAT THE US HAD BEEN FORTHCOMING IN THIS NEGOTIATION AND WAS EVEN PREPARED TO AGREE FOR THE 24 PERCENT TO TAKE EFFECT AS OF 1 OCT.

1. DE STAERCKE POINTED OUT THAT FRG LEVIES NO NATIONAL TAXES ON REVENUES FROM CIVIL MOVEMENTS. HE STATED THAT REVIEW OF SYSTEM OPERATIONS AND ACCEPTANCE OF UNIFORM CRITERIA FOR OPERATION WOULD RESULT IN DISAPPEARANCE OF THE DEFICIT. THIS

IS, HOWEVER, POLITICAL MEETING AND FIRST TASK IS TO SEEK  
AGREEMENT ON FORMULA PROPOSED.

1. HARTOGH OFFERED FIGURE OF 17 MILLION FF AS FINANCIAL  
BENEFIT TO FRANCE OVER FIVE YEAR PERIOD, STATING THAT FRANCE'S  
SHARE OF DEFICIT DURING THAT PERIOD CAME TO ONLY 25 MILION  
FF AND THAT ANY NET CONTRIBUTION BY FRANCE TO THE DEFICIT WAS  
THUS MINIMAL.

12. ALTHOUGH UK (PECK), CANADA(MENZIES) AND LUXEMBROURG  
(VISCHBACH) DID NOT ENTER INTO DISCUSSION, THEIR SILENCE STILL  
LEFT SOLID FRONT OF SIX AGAINST FRANCE AND FRG.

13. MEETING CONCLUDED WITH AGREEMENT THAT FRANCE AND FRG  
WOULD SEEK FURTHER INSTRUCTIONS PRELIMINARY TO NEXT  
MEETING TO BE HALD 14 OCT.

14. COMMENT: USNATO BELIEVES THAT IT IS NOT YET NECESSARY  
TO REQUEST DEPARTMENT TO INSTRUCT EMBASSY PARIS OR EMBASSY  
CONFIDENTIAL

PAGE 05 NATO 05301 272224Z

BONN TO INTERVENE WITH GOF OR FRG. BELGIANS, DUTCH AND CANADIANS  
ARE HELPFULLY ACTIVE INNATO CORRIDORS; FRG TRYING TO FIND  
TOLERABLE POLITICAL SOLUTION WITHIN LIMITS LAID DOWN BY  
FINANCE MINISTRY. MCAULIFFE

CONFIDENTIAL

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 11 JUN 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974ATO05301  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS 12-31-80  
**Errors:** n/a  
**Film Number:** n/a  
**From:** NATO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740988/abbryxlp.tel  
**Line Count:** 191  
**Locator:** TEXT ON-LINE  
**Office:** n/a  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** A. USNATO 5232 B. USNATO 5196  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 APR 2002 by cunninfx>; APPROVED <10 JUL 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CENTRAL EUROPE PIPELINE SYSTEM (CEPS) COST SHARING; EIGHT NATION PERMREP MEETING, 27 SEP 74  
**TAGS:** NATO, XG, ETRN  
**To:** STATE  
SECDEF INFO USCINCEUR  
PARIS  
BONN  
USNMR SHAPE  
BRUSSELS  
THE HAGUE

LONDON  
LUXEMBOURG  
OTTAWA

**Type:** TE

**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005